

1 LIONEL Z. GLANCY (#134180)
 2 MICHAEL GOLDBERG (#188669)
 3 GLANCY BINKOW & GOLDBERG LLP
 4 1801 Avenue of the Stars, Suite 311
 5 Los Angeles, California 90067
 6 Telephone: (310) 201-9150
 7 Facsimile: (310) 201-9160
 8 E-mail: info@glancylaw.com

9
 10 [Additional Counsel on Signature Page]

11
 12 Attorneys for Plaintiff Fred Jean

13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

15 FRED JEAN, Individually and on Behalf of 16 All Others Similarly Situated, 17 18 Plaintiff, 19 v. 20 STEC, INC., MANOUCH MOSHAYEDI, 21 and MARK MOSHAYEDI, 22 23 Defendants.) No. SACV09-01304 JVS (MLGx))) <u>CLASS ACTION</u>)) <u>COMPLAINT FOR</u>) <u>VIOLATIONS OF THE</u>) <u>FEDERAL SECURITIES</u>) <u>LAWS</u>)) <u>DEMAND FOR JURY TRIAL</u>)
---	--

FILED

24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100
 101
 102
 103
 104
 105
 106
 107
 108
 109
 110
 111
 112
 113
 114
 115
 116
 117
 118
 119
 120
 121
 122
 123
 124
 125
 126
 127
 128
 129
 130
 131
 132
 133
 134
 135
 136
 137
 138
 139
 140
 141
 142
 143
 144
 145
 146
 147
 148
 149
 150
 151
 152
 153
 154
 155
 156
 157
 158
 159
 160
 161
 162
 163
 164
 165
 166
 167
 168
 169
 170
 171
 172
 173
 174
 175
 176
 177
 178
 179
 180
 181
 182
 183
 184
 185
 186
 187
 188
 189
 190
 191
 192
 193
 194
 195
 196
 197
 198
 199
 200
 201
 202
 203
 204
 205
 206
 207
 208
 209
 210
 211
 212
 213
 214
 215
 216
 217
 218
 219
 220
 221
 222
 223
 224
 225
 226
 227
 228
 229
 230
 231
 232
 233
 234
 235
 236
 237
 238
 239
 240
 241
 242
 243
 244
 245
 246
 247
 248
 249
 250
 251
 252
 253
 254
 255
 256
 257
 258
 259
 260
 261
 262
 263
 264
 265
 266
 267
 268
 269
 270
 271
 272
 273
 274
 275
 276
 277
 278
 279
 280
 281
 282
 283
 284
 285
 286
 287
 288
 289
 290
 291
 292
 293
 294
 295
 296
 297
 298
 299
 300
 301
 302
 303
 304
 305
 306
 307
 308
 309
 310
 311
 312
 313
 314
 315
 316
 317
 318
 319
 320
 321
 322
 323
 324
 325
 326
 327
 328
 329
 330
 331
 332
 333
 334
 335
 336
 337
 338
 339
 340
 341
 342
 343
 344
 345
 346
 347
 348
 349
 350
 351
 352
 353
 354
 355
 356
 357
 358
 359
 360
 361
 362
 363
 364
 365
 366
 367
 368
 369
 370
 371
 372
 373
 374
 375
 376
 377
 378
 379
 380
 381
 382
 383
 384
 385
 386
 387
 388
 389
 390
 391
 392
 393
 394
 395
 396
 397
 398
 399
 400
 401
 402
 403
 404
 405
 406
 407
 408
 409
 410
 411
 412
 413
 414
 415
 416
 417
 418
 419
 420
 421
 422
 423
 424
 425
 426
 427
 428
 429
 430
 431
 432
 433
 434
 435
 436
 437
 438
 439
 440
 441
 442
 443
 444
 445
 446
 447
 448
 449
 450
 451
 452
 453
 454
 455
 456
 457
 458
 459
 460
 461
 462
 463
 464
 465
 466
 467
 468
 469
 470
 471
 472
 473
 474
 475
 476
 477
 478
 479
 480
 481
 482
 483
 484
 485
 486
 487
 488
 489
 490
 491
 492
 493
 494
 495
 496
 497
 498
 499
 500
 501
 502
 503
 504
 505
 506
 507
 508
 509
 510
 511
 512
 513
 514
 515
 516
 517
 518
 519
 520
 521
 522
 523
 524
 525
 526
 527
 528
 529
 530
 531
 532
 533
 534
 535
 536
 537
 538
 539
 540
 541
 542
 543
 544
 545
 546
 547
 548
 549
 550
 551
 552
 553
 554
 555
 556
 557
 558
 559
 560
 561
 562
 563
 564
 565
 566
 567
 568
 569
 570
 571
 572
 573
 574
 575
 576
 577
 578
 579
 580
 581
 582
 583
 584
 585
 586
 587
 588
 589
 590
 591
 592
 593
 594
 595
 596
 597
 598
 599
 600
 601
 602
 603
 604
 605
 606
 607
 608
 609
 610
 611
 612
 613
 614
 615
 616
 617
 618
 619
 620
 621
 622
 623
 624
 625
 626
 627
 628
 629
 630
 631
 632
 633
 634
 635
 636
 637
 638
 639
 640
 641
 642
 643
 644
 645
 646
 647
 648
 649
 650
 651
 652
 653
 654
 655
 656
 657
 658
 659
 660
 661
 662
 663
 664
 665
 666
 667
 668
 669
 670
 671
 672
 673
 674
 675
 676
 677
 678
 679
 680
 681
 682
 683
 684
 685
 686
 687
 688
 689
 690
 691
 692
 693
 694
 695
 696
 697
 698
 699
 700
 701
 702
 703
 704
 705
 706
 707
 708
 709
 710
 711
 712
 713
 714
 715
 716
 717
 718
 719
 720
 721
 722
 723
 724
 725
 726
 727
 728
 729
 730
 731
 732
 733
 734
 735
 736
 737
 738
 739
 740
 741
 742
 743
 744
 745
 746
 747
 748
 749
 750
 751
 752
 753
 754
 755
 756
 757
 758
 759
 760
 761
 762
 763
 764
 765
 766
 767
 768
 769
 770
 771
 772
 773
 774
 775
 776
 777
 778
 779
 780
 781
 782
 783
 784
 785
 786
 787
 788
 789
 790
 791
 792
 793
 794
 795
 796
 797
 798
 799
 800
 801
 802
 803
 804
 805
 806
 807
 808
 809
 810
 811
 812
 813
 814
 815
 816
 817
 818
 819
 820
 821
 822
 823
 824
 825
 826
 827
 828
 829
 830
 831
 832
 833
 834
 835
 836
 837
 838
 839
 840
 841
 842
 843
 844
 845
 846
 847
 848
 849
 850
 851
 852
 853
 854
 855
 856
 857
 858
 859
 860
 861
 862
 863
 864
 865
 866
 867
 868
 869
 870
 871
 872
 873
 874
 875
 876
 877
 878
 879
 880
 881
 882
 883
 884
 885
 886
 887
 888
 889
 890
 891
 892
 893
 894
 895
 896
 897
 898
 899
 900
 901
 902
 903
 904
 905
 906
 907
 908
 909
 910
 911
 912
 913
 914
 915
 916
 917
 918
 919
 920
 921
 922
 923
 924
 925
 926
 927
 928
 929
 930
 931
 932
 933
 934
 935
 936
 937
 938
 939
 940
 941
 942
 943
 944
 945
 946
 947
 948
 949
 950
 951
 952
 953
 954
 955
 956
 957
 958
 959
 960
 961
 962
 963
 964
 965
 966
 967
 968
 969
 970
 971
 972
 973
 974
 975
 976
 977
 978
 979
 980
 981
 982
 983
 984
 985
 986
 987
 988
 989
 990
 991
 992
 993
 994
 995
 996
 997
 998
 999
 1000

DO
FAX

Copy

1 Plaintiff Fred Jean, by and through his attorneys, alleges the following upon
2 information and belief, except as to those allegations concerning Plaintiff, which are
3 alleged upon personal knowledge. Plaintiff's information and belief is based upon,
4 among other things, his counsel's investigation, which includes without limitation:
5 (a) review and analysis of regulatory filings made by STEC, Inc. ("STEC" or the
6 "Company") with the United States Securities and Exchange Commission ("SEC");
7 (b) review and analysis of press releases and media reports issued by and
8 disseminated by STEC; and (c) review of other publicly available information
9 concerning STEC.

13 **NATURE OF THE ACTION AND OVERVIEW**

15 1. This is a class action on behalf of purchasers of STEC's securities
16 between August 3, 2009 and November 3, 2009, inclusive (the "Class Period"),
17 seeking to pursue remedies under the Securities Exchange Act of 1934 (the
18 "Exchange Act").

20 2. STEC designs, manufactures and markets enterprise-class solid state
21 drives ("SSDs"), for use in high performance storage and server systems, and high
22 density dynamic random access memory ("DRAM"), modules for networking,
23 communications and industrial applications. STEC's ZeusIOPS SSD product family
24 offers an array of options for enterprise system architects. ZeusIOPS SSD provides
25 interface options, spanning Fibre Channel to SAS to SATA, as well as a range of
26
27

1 capacity options, spanning 73GB to 1TB.

2 3. On November 3, 2009, STEC shocked investors when it announced that
3 one of its largest customers, which accounts for 90 percent of STEC's ZeusIOPS SSD
4 business and which had placed a \$120 million order for the second half of 2009,
5 would carry 2009 inventory into 2010, placing STEC's 2010 first quarter results at
6 risk.

7 4. On this news, shares of STEC declined \$9.01 per share, more than 38%,
8 to close on November 4, 2009, at \$14.14 per share, on unusually heavy volume.

9 5. Throughout the Class Period, Defendants made false and/or misleading
10 statements, as well as failed to disclose material adverse facts about the Company's
11 business, operations, and prospects. Specifically, Defendants made false and/or
12 misleading statements and/or failed to disclose: (1) that the Company over sold its
13 largest customer more inventory than it required; (2) that, as such, the Company
14 overstated the demand for its ZeusIOPS SSD products; (3) that the Company's
15 subsequent revenue and financial results for the following year would be negatively
16 impacted; and (4) that, as a result of the above, Defendants' statements during the
17 Class Period lacked a reasonable basis.

18 6. As a result of Defendants' wrongful acts and omissions, and the
19 precipitous decline in the market value of the Company's securities, Plaintiff and

1 other Class members have suffered significant losses and damages.
2

3 **JURISDICTION AND VENUE**

4 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the
5 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated
6 thereunder by the SEC (17 C.F.R. § 240.10b-5).
7

8 8. This Court has jurisdiction over the subject matter of this action
9 pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).
10

11 9. Venue is proper in this Judicial District pursuant to §28 U.S.C.
12 §1391(b), §27 of the Exchange Act (15 U.S.C. §78aa(c)).
13

14 10. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b)
15 and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in
16 furtherance of the alleged fraud or the effects of the fraud have occurred in this
17 Judicial District. Many of the acts charged herein, including the preparation and
18 dissemination of materially false and/or misleading information, occurred in
19 substantial part in this District. Additionally, STEC is a California corporation and
20 maintains its principal executive offices within this Judicial District.
21

22 11. In connection with the acts, transactions, and conduct alleged herein,
23 Defendants directly and indirectly used the means and instrumentalities of interstate
24 commerce, including the United States mail, interstate telephone communications,
25

1 and the facilities of a national securities exchange.

2
3 **PARTIES**

4 12. Plaintiff Fred Jean, as set forth in the accompanying certification,
5 incorporated by reference herein, purchased STEC common stock during the Class
6 Period, and suffered damages as a result of the federal securities law violations and
7 false and/or misleading statements and/or material omissions alleged herein.

8 13. Defendant STEC is a California corporation with its principal executive
9 offices located at 3001 Daimler Street, Santa Ana, California, 92705.

10 14. Defendant Manouch Moshayedi was, at all relevant times, Chief
11 Executive Officer ("CEO") and Chairman of the Board of Directors of STEC.

12 15. Defendant Mark Moshayedi was, at all relevant times, President, Chief
13 Operating Officer, Chief Technical Officer, Secretary, and a Director, of STEC.

14 16. Defendants Manouch Moshayedi and Mark Moshayedi are collectively
15 referred to hereinafter as the "Individual Defendants." The Individual Defendants,
16 because of their positions with the Company, possessed the power and authority to
17 control the contents of STEC's reports to the SEC, press releases and presentations
18 to securities analysts, money and portfolio managers and institutional investors, *i.e.*,
19 the market. Each defendant was provided with copies of the Company's reports and
20 press releases alleged herein to be misleading prior to, or shortly after, their issuance
21
22
23
24
25
26
27

1 and had the ability and opportunity to prevent their issuance or cause them to be
2 corrected. Because of their positions and access to material non-public information
3 available to them, each of these defendants knew that the adverse facts specified
4 herein had not been disclosed to, and were being concealed from, the public, and that
5 the positive representations which were being made were then materially false and/or
6 misleading. The Individual Defendants are liable for the false statements pleaded
7 herein, as those statements were each "group-published" information, the result of the
8 collective actions of the Individual Defendants.

12 **SUBSTANTIVE ALLEGATIONS**

13 **Background**

15 17. STEC designs, manufactures and markets enterprise-class SSDs, for use
16 in high performance storage and server systems, and high density DRAM, modules
17 for networking, communications and industrial applications. STEC's ZeusIOPS SSD
18 product family offers an array of options for enterprise system architects. ZeusIOPS
19 SSD provides interface options, spanning Fibre Channel to SAS to SATA, as well as
20 a range of capacity options, spanning 73GB to 1TB.

23 18. On July 16, 2009, STEC issued a press release entitled, "STEC Signs a
24 \$120 Million Supply Agreement for ZeusIOPS SSDs for 2H 2009 and Now Forecasts
25 Sales of ZeusIOPS SSDs to Exceed \$220 Million in 2009." Therein, the Company,

1 in relevant part, stated:

2

3 **STEC and Its Major Enterprise Storage Customers Continue**
4 **Collaboration to Drive Adoption of SSD Technology**
5 **Into High-Performance Enterprise Storage Systems**

6 SANTA ANA, Calif., July 16, 2009 (GLOBE NEWSWIRE) -- STEC,
7 Inc. (Nasdaq:STEC), announced today that it has signed an agreement
8 with one of its largest enterprise storage customers for sales of \$120
9 million of ZeusIOPS SSDs in the second half of 2009. STEC believes
10 that this agreement reflects the enterprise storage manufacturer's
11 continued commitment to integrate STEC's SSD technology into the
12 manufacturer's systems and validates significant storage system
13 performance improvements enabled by STEC's ZeusIOPS SSDs in these
14 enterprise systems. With this agreement signed, STEC now forecasts
15 revenue from the sale of its ZeusIOPS drives will exceed \$220 million
16 in 2009.

17 "We are pleased to see that sales of our customer's enterprise storage
18 systems utilizing our ZeusIOPS drives have grown significantly over the
19 past few years," said Manouch Moshayedi, Chairman and Chief
20 Executive Officer of STEC. "Our customers have helped evangelize this
21 technology and we are glad to be partnered with them as we expect that
22 they will help drive further innovation in SSD usage in the highest-end
23 of the enterprise storage markets."

24 The STEC ZeusIOPS SSD product family offers a comprehensive array
25 of options for enterprise system architects. ZeusIOPS SSD provides a
26 wide range of interface options, spanning Fibre Channel to SAS to
27 SATA, as well as the widest range of capacity options, spanning 73GB
28 to 1TB. Fundamental to the ZeusIOPS product family is the proprietary
SSD architecture which renders an enterprise-optimized storage device
with an unprecedented combination of performance and energy
efficiency.

(Emphasis in original).

**Materially False and Misleading
Statements Issued During the Class Period**

19. The Class Period begins on August 3, 2009. On this day, STEC issued a press release entitled, "STEC Announces Second Quarter 2009 Results." Therein, the Company, in relevant part, stated:

Revenue, Gross Profit Margin and EPS Higher On Faster-Than-Expected Adoption of Its Enterprise Class Solid State Drives

SANTA ANA, Calif., Aug 3, 2009 (GlobeNewswire via COMTEX) -- STEC, Inc. (Nasdaq:STEC) announced today its financial results for the second quarter ended June 30, 2009. Revenue for the second quarter of 2009 was \$86.4 million, an increase of 53.7% from \$56.2 million for the second quarter of 2008, and an increase of 35.9% from \$63.5 million for the first quarter of 2009. Shipments of our ZeusIOPS Solid-State drives ("SSD") into the Enterprise-Storage market grew to \$57.7 million for the second quarter of 2009, an increase of approximately 375% from \$12.1 million for the second quarter of 2008, and an increase of approximately 125% from \$25.7 million for the first quarter of 2009.

GAAP gross profit margin was 50.0% for the second quarter of 2009, compared to 32.3% for the second quarter of 2008 and 36.3% for the first quarter of 2009. GAAP diluted earnings per share from continuing operations was \$0.38 for the second quarter of 2009, compared to \$0.03 for the second quarter of 2008, and \$0.07 for the first quarter of 2009.

Non-GAAP gross profit margin increased to 50.1% for the second quarter of 2009, compared to 35.3% for the second quarter of 2008 and 39.8% for first quarter of 2009. Non-GAAP diluted earnings per share from continuing operations was \$0.42 for the second quarter of 2009, compared to \$0.09 for the second quarter of 2008, and \$0.17 for the first quarter of 2009. GAAP results for the second quarter of 2009 included employee stock compensation, special charges related to the

1 implementation of our restructuring plan and grant incentive income
2 received from the Malaysian government. Non-GAAP results are
3 explained and reconciled to GAAP results in tables included in this
4 release.

5 Additional highlights for the second quarter of 2009 include:

- 6 * signed a recently-announced \$120 million contract to supply
7 ZeusIOPS SSDs to a major Enterprise-Storage customer for the second
half of 2009;
- 8 * signed a \$28 million, 12-month contract to supply the ruggedized
9 MACH8 SSD to a leading defense systems contractor, extending reach
of one our key product lines beyond the traditional storage market;
- 10 * accelerated adoption of the ZeusIOPS SSDs into major
11 Enterprise-Storage and Enterprise-Server OEM customers, including
12 IBM, Fujitsu, Compellent and HP;
- 13 * increased cash and cash equivalents, and short-term investments at
14 the end of the second quarter of 2009 to approximately \$94 million,
15 a 49% increase from the end of the prior quarter;
- 16 * decreased inventory to approximately \$38 million at the end of the
17 second quarter of 2009, a 16% decrease from the end of the prior
quarter; and
- 18 * successfully transitioned 100% of the Company's manufacturing from
19 California to Malaysia.

20 Business Outlook

21 "It is exciting to share such outstanding results today and to deliver
22 significant revenue, gross profit margin and EPS growth for the second
23 quarter of 2009," said Manouch Moshayedi, STEC's Chairman and
24 Chief Executive Officer. "We have shown a significant improvement in
25 our already strong balance sheet -- particularly in the generation of cash
and effective management of inventory - added four more major
Enterprise-Storage OEMs to our blue chip customer list, and surpassed
our stated year-end 2009 non-GAAP gross profit margin goal of 40%,
expanding it to 50% in the second quarter of 2009.

1 "In our prior quarter's earnings announcement we had estimated that
 2 ZeusIOPS revenue for the first half of 2009 would surpass \$53 million.
 3 I am pleased to report that we have actually achieved \$83 million in
 4 ZeusIOPS revenue for this period. Although we are still early in the
 5 process of the adoption of SSDs into the Enterprise-Storage market, I
 6 believe that the \$120 million supply agreement that we signed for the
 7 second half of 2009 is a further indication of future SSD growth and
 8 customers' acceptance of SSDs into this growing market. I am very
 9 excited about our product road map -- specific to the Enterprise-Storage,
 10 Enterprise-Server and related markets."

11 **Guidance**

12 "We currently expect third quarter of 2009 revenue to range from \$95
 13 million to \$97 million with diluted non-GAAP earnings per share to
 14 range from \$0.45 to \$0.47."

15 (Emphasis in original).

16 20. On August 3, 2009, STEC filed its Quarterly Report with the SEC on
 17 Form 10-Q for the 2009 fiscal second quarter. The Company's Form 10-Q reaffirmed
 18 the Company's financial results previously announced on August 3, 2009. Therein,
 19 the Company, in relevant part, stated:

20 We expect continued growth in the sales of our Flash-based SSD
 21 ZeusIOPS products through 2009 based on the accelerated adoption of
 22 our ZeusIOPS SSDs by most of our major enterprise-storage and
 23 enterprise-server OEM customers into their systems. As part of this
 24 expected growth, on July 16, 2009 we announced an agreement with one
 25 of our largest enterprise storage customers for sales of \$120 million of
 26 ZeusIOPS SSDs in the second half of 2009.

27 21. The statements contained in ¶¶19-20 were materially false and/or

1 misleading when made because defendants failed to disclose or indicate the
 2 following: (1) that the Company over sold its largest customer more inventory than
 3 it required; (2) that, as such, the Company overstated the demand for its ZeusIOPS
 4 SSD products; (3) that the Company's subsequent revenue and financial results for
 5 the following year would be negatively impacted; and (4) that, as a result of the
 6 above, Defendants' statements during the Class Period lacked a reasonable basis.
 7
 8

9 **Disclosures At The End Of The Class Period**

10
 11 22. On November 3, 2009, STEC issued a press release entitled, "STEC
 12 Announces Third Quarter 2009 Results." Therein, the Company, in relevant part,
 13 stated:

14 "One of our customers entered into a \$120 million supply agreement
 15 with us for shipments covering the second half of 2009. We recently
 16 received preliminary indications that our customer might carry inventory
 17 of our ZeusIOPS at the end of 2009 which they will use in 2010. In light
 18 of this development, we have jointly initiated a strategic sales and
 19 marketing incentive program designed to promote the integration of
 20 STEC's SSDs into their systems. As of September 30, 2009, we have
 21 accrued \$1.5 million of estimated costs for this marketing incentive
 22 program. Both companies believe that we will be successful in
 23 increasing the pace of the replacement of HDDs with SSDs. If our
 24 marketing program is not successful in increasing the demand flow of
 25 SSDs, our first quarter of 2010 orders from this customer will be
 26 negatively affected; however, the actual impact cannot be quantified at
 27 this time.

28 "We are also working on implementing sales and marketing incentive
 29 programs at our other major customers to further proliferate the use of
 30 our SSDs in their systems. We believe that it is just a matter of time

1 before these customers become more significant to our overall sales of
2 SSDs. In addition, we continue to qualify our ZeusIOPS into new
3 platforms at our customers and are working closely with them to
4 promote integration of SSDs into their systems by participating in sales
5 conferences and end-user training programs both in the U.S. and in
6 Europe. We believe these activities will help accelerate the adoption of
7 our SSDs over the course of 2010.

8 "Longer-term, we believe that SSDs in the Enterprise market are here to
9 stay and will grow to become a very significant market within the next
10 five years. Further, we believe that as this market grows, there will be
11 room for a few additional players and that STEC will remain the
12 dominant player in Enterprise-class SSDs."

13 23. On this news, shares of STEC declined \$9.01 per share, or 38.92%, to
14 close on November 4, 2009, at \$14.14 per share, on unusually heavy volume.

CLASS ACTION ALLEGATIONS

15 24. Plaintiff brings this action as a class action pursuant to Federal Rule of
16 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
17 purchased STEC's securities between August 3, 2009 and November 3, 2009,
18 inclusive (the "Class Period") and who were damaged thereby. Excluded from the
19 Class are Defendants, the officers and directors of the Company, at all relevant times,
20 members of their immediate families and their legal representatives, heirs, successors
21 or assigns and any entity in which Defendants have or had a controlling interest.

22 25. The members of the Class are so numerous that joinder of all members
23 is impracticable. Throughout the Class Period, STEC's securities were actively

1 traded on National Association of Securities Dealers Automated Quotations Market
2 ("NASDAQ"). While the exact number of Class members is unknown to Plaintiff at
3 this time and can only be ascertained through appropriate discovery, Plaintiff believes
4 that there are hundreds or thousands of members in the proposed Class. Millions of
5 STEC shares were traded publicly during the Class Period on the NASDAQ and as
6 of October 16, 2009, STEC had 50,264,383 shares of common stock outstanding.
7 Record owners and other members of the Class may be identified from records
8 maintained by STEC or its transfer agent and may be notified of the pendency of this
9 action by mail, using the form of notice similar to that customarily used in securities
10 class actions.
11
12

13 26. Plaintiff's claims are typical of the claims of the members of the Class
14 as all members of the Class are similarly affected by Defendants' wrongful conduct
15 in violation of federal law that is complained of herein.
16
17

18 27. Plaintiff will fairly and adequately protect the interests of the members
19 of the Class and has retained counsel competent and experienced in class and
20 securities litigation.
21
22

23 28. Common questions of law and fact exist as to all members of the Class
24 and predominate over any questions solely affecting individual members of the Class.
25
26 Among the questions of law and fact common to the Class are:
27

(a) Whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) Whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of STEC; and

(c) To what extent the members of the Class have sustained damages and the proper measure of damages.

29. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

30. The market for STEC's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, STEC's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired STEC's securities relying upon the integrity of the market price

1 of the Company's securities and market information relating to STEC, and have been
2 damaged thereby.
3

4 31. During the Class Period, Defendants materially misled the investing
5 public, thereby inflating the price of STEC's securities, by publicly issuing false
6 and/or misleading statements and/or omitting to disclose material facts necessary to
7 make Defendants' statements, as set forth herein, not false and/or misleading. Said
8 statements and omissions were materially false and/or misleading in that they failed
9 to disclose material adverse information and/or misrepresented the truth about
10 STEC's business, operations, and prospects as alleged herein.
11

12 32. At all relevant times, the material misrepresentations and omissions
13 particularized in this Complaint directly or proximately caused or were a substantial
14 contributing cause of the damages sustained by Plaintiff and other members of the
15 Class. As described herein, during the Class Period, Defendants made or caused to
16 be made a series of materially false and/or misleading statements about STEC's
17 financial well-being and prospects. These material misstatements and/or omissions
18 had the cause and effect of creating in the market an unrealistically positive
19 assessment of the Company and its financial well-being and prospects, thus causing
20 the Company's securities to be overvalued and artificially inflated at all relevant
21 times. Defendants' materially false and/or misleading statements during the Class
22

1 Period resulted in Plaintiff and other members of the Class purchasing the Company's
2 securities at artificially inflated prices, thus causing the damages complained of
3 herein.
4

5 **LOSS CAUSATION**

6 33. Defendants' wrongful conduct, as alleged herein, directly and
7 proximately caused the economic loss suffered by Plaintiff and the Class.
8

9 34. During the Class Period, Plaintiff and the Class purchased STEC's
10 securities at artificially inflated prices and were damaged thereby. The price of the
11 Company's securities significantly declined when the misrepresentations made to the
12 market, and/or the information alleged herein to have been concealed from the
13 market, and/or the effects thereof, were revealed, causing investors's losses.
14
15

16 **SCIENTER ALLEGATIONS**

17 35. As alleged herein, Defendants acted with scienter in that Defendants
18 knew that the public documents and statements issued or disseminated in the name
19 of the Company were materially false and/or misleading; knew that such statements
20 or documents would be issued or disseminated to the investing public; and knowingly
21 and substantially participated or acquiesced in the issuance or dissemination of such
22 statements or documents as primary violations of the federal securities laws. As set
23 forth elsewhere herein in detail, Defendants, by virtue of their receipt of information
24
25

1 reflecting the true facts regarding STEC, his/her control over, and/or receipt and/or
2 modification of STEC's allegedly materially misleading misstatements and/or their
3 associations with the Company which made them privy to confidential proprietary
4 information concerning STEC, participated in the fraudulent scheme alleged herein.
5

6 36. Additionally, during the Class Period, and with the Company's securities
7 trading at artificially inflated prices, on or around August 11, 2009, the Company
8 conducted a secondary public offering in which the Individual Defendants sold
9 approximately 9,000,000 shares of STEC's common stock at a price of \$31.00 per
10 share, for gross proceeds to the Individual Defendants of approximately \$279 million.
11

12 37. Given the timing, magnitude, and deviation from their prior trading
13 history, the Individual Defendants' transactions were highly unusual and suspicious.
14 Defendant Manouch Moshayedi sold 4,112,618 shares of his 7,321,889 beneficially
15 owned shares of the Company's stock, or approximately 56.17%, and Defendant
16 Mark Moshayedi sold 4,887,382 of his 10,331,778 beneficially owned shares of the
17 Company's common stock, or approximately 47.3%.
18

19 38. Moreover, the Individual Defendants' transactions were highly unusual
20 and suspicious in that the Individual Defendants abandoned their recently adopted
21 10b5-1 trading plans. Despite STEC announcing on May 29, 2009, that the
22 Individual Defendants had adopted pre-arranged 10b5-1 trading plans "provid[ing]
23

1 for potential sales of common stock over a period of 18 months, if pre-determined
2 price thresholds and other conditions set forth in the plans are met" and stating that
3 "[s]ales under stock trading plans have the effect of spreading stock trades over an
4 extended period of time and are thereby intended to reduce market impact," the
5 Individual Defendants inexplicably decided approximately two months later to
6 terminate their 10b5-1 trading plans and unload all at once 9,000,000 shares of the
7 Company's common stock.

8

9

10 **APPLICABILITY OF PRESUMPTION OF RELIANCE**
11 **(FRAUD-ON-THE-MARKET DOCTRINE)**

12

13 39. The market for STEC's securities was open, well-developed and
14 efficient at all relevant times. As a result of the materially false and/or misleading
15 statements and/or failures to disclose, STEC's securities traded at artificially inflated
16 prices during the Class Period. On September 10, 2009, the price of the Company's
17 common stock closed at a Class Period high of \$41.84 per share. Plaintiff and other
18 members of the Class purchased or otherwise acquired the Company's securities
19 relying upon the integrity of the market price of STEC's securities and market
20 information relating to STEC, and have been damaged thereby.

21

22 40. During the Class Period, the artificial inflation of STEC's stock was
23 caused by the material misrepresentations and/or omissions particularized in this

1 Complaint causing the damages sustained by Plaintiff and other members of the
2 Class. As described herein, during the Class Period, Defendants made or caused to
3 be made a series of materially false and/or misleading statements about STEC's
4 business, prospects, and operations. These material misstatements and/or omissions
5 created an unrealistically positive assessment of STEC and its business, operations,
6 and prospects, thus causing the price of the Company's securities to be artificially
7 inflated at all relevant times, and when disclosed, negatively affected the value of the
8 Company stock. Defendants' materially false and/or misleading statements during
9 the Class Period resulted in Plaintiff and other members of the Class purchasing the
10 Company's securities at such artificially inflated prices, and each of them has been
11 damaged as a result.

16 41. At all relevant times, the market for STEC's securities was an efficient
17 market for the following reasons, among others:

19 (a) STEC stock met the requirements for listing, and was listed and
20 actively traded on the NASDAQ, a highly efficient and automated market;

22 (b) As a regulated issuer, STEC filed periodic public reports with the
23 SEC and the NASDAQ;

25 (c) STEC regularly communicated with public investors *via*
26 established market communication mechanisms, including through regular

1 dissemination of press releases on the national circuits of major newswire services
2 and through other wide-ranging public disclosures, such as communications with the
3 financial press and other similar reporting services; and
4

5 (d) STEC was followed by securities analysts employed by major
6 brokerage firms who wrote reports about the Company, and these reports were
7 distributed to the sales force and certain customers of their respective brokerage
8 firms. Each of these reports was publicly available and entered the public
9 marketplace.
10

12 42. As a result of the foregoing, the market for STEC's securities promptly
13 digested current information regarding STEC from all publicly available sources and
14 reflected such information in STEC's stock price. Under these circumstances, all
15 purchasers of STEC's securities during the Class Period suffered similar injury
16 through their purchase of STEC's securities at artificially inflated prices and a
17 presumption of reliance applies.
18

20 **NO SAFE HARBOR**
21

22 43. The statutory safe harbor provided for forward-looking statements under
23 certain circumstances does not apply to any of the allegedly false statements pleaded
24 in this Complaint. The statements alleged to be false and misleading herein all relate
25 to then-existing facts and conditions. In addition, to the extent certain of the
26

1 statements alleged to be false may be characterized as forward looking, they were not
2 identified as “forward-looking statements” when made and there were no meaningful
3 cautionary statements identifying important factors that could cause actual results to
4 differ materially from those in the purportedly forward-looking statements. In the
5 alternative, to the extent that the statutory safe harbor is determined to apply to any
6 forward-looking statements pleaded herein, Defendants are liable for those false
7 forward-looking statements because at the time each of those forward-looking
8 statements was made, the speaker had actual knowledge that the forward-looking
9 statement was materially false or misleading, and/or the forward-looking statement
10 was authorized or approved by an executive officer of STEC who knew that the
11 statement was false when made.
12
13

14

15

16 **FIRST CLAIM**

17 **Violation of Section 10(b) of**

18 **The Exchange Act and Rule 10b-5**

19 **Promulgated Thereunder Against All Defendants**

20

21 44. Plaintiff repeats and realleges each and every allegation contained above
as if fully set forth herein.

22

23 45. During the Class Period, Defendants carried out a plan, scheme and
24 course of conduct which was intended to and, throughout the Class Period, did: (i)
25 deceive the investing public, including Plaintiff and other Class members, as alleged
26

1 herein; and (ii) cause Plaintiff and other members of the Class to purchase STEC's
2 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan
3 and course of conduct, defendants, and each of them, took the actions set forth herein.
4

5 46. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)
6 made untrue statements of material fact and/or omitted to state material facts
7 necessary to make the statements not misleading; and (iii) engaged in acts, practices,
8 and a course of business which operated as a fraud and deceit upon the purchasers of
9 the Company's securities in an effort to maintain artificially high market prices for
10 STEC's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5.
11 All Defendants are sued either as primary participants in the wrongful and illegal
12 conduct charged herein or as controlling persons as alleged below.
13

14 47. Defendants, individually and in concert, directly and indirectly, by the
15 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
16 and participated in a continuous course of conduct to conceal adverse material
17 information about STEC's financial well-being and prospects, as specified herein.
18

19 48. These defendants employed devices, schemes and artifices to defraud,
20 while in possession of material adverse non-public information and engaged in acts,
21 practices, and a course of conduct as alleged herein in an effort to assure investors of
22 STEC's value and performance and continued substantial growth, which included the
23

1 making of, or the participation in the making of, untrue statements of material facts
2 and/or omitting to state material facts necessary in order to make the statements made
3 about STEC and its business operations and future prospects in light of the
4 circumstances under which they were made, not misleading, as set forth more
5 particularly herein, and engaged in transactions, practices and a course of business
6 which operated as a fraud and deceit upon the purchasers of the Company's securities
7 during the Class Period.

10 49. Each of the Individual Defendants' primary liability, and controlling
11 person liability, arises from the following facts: (i) the Individual Defendants were
12 high-level executives and/or directors at the Company during the Class Period and
13 members of the Company's management team or had control thereof; (ii) each of
14 these defendants, by virtue of their responsibilities and activities as a senior officer
15 and/or director of the Company, was privy to and participated in the creation,
16 development and reporting of the Company's internal budgets, plans, projections
17 and/or reports; (iii) each of these defendants enjoyed significant personal contact and
18 familiarity with the other defendants and was advised of, and had access to, other
19 members of the Company's management team, internal reports and other data and
20 information about the Company's finances, operations, and sales at all relevant times;
21 and (iv) each of these defendants was aware of the Company's dissemination of
22

1 information to the investing public which they knew and/or recklessly disregarded
2 was materially false and misleading.
3

4 50. The defendants had actual knowledge of the misrepresentations and/or
5 omissions of material facts set forth herein, or acted with reckless disregard for the
6 truth in that they failed to ascertain and to disclose such facts, even though such facts
7 were available to them. Such defendants' material misrepresentations and/or
8 omissions were done knowingly or recklessly and for the purpose and effect of
9 concealing STEC's financial well-being and prospects from the investing public and
10 supporting the artificially inflated price of its securities. As demonstrated by
11 Defendants' overstatements and/or misstatements of the Company's business,
12 operations, financial well-being, and prospects throughout the Class Period,
13 Defendants, if they did not have actual knowledge of the misrepresentations and/or
14 omissions alleged, were reckless in failing to obtain such knowledge by deliberately
15 refraining from taking those steps necessary to discover whether those statements
16 were false or misleading.
17

18 51. As a result of the dissemination of the materially false and/or misleading
19 information and/or failure to disclose material facts, as set forth above, the market
20 price of STEC's securities was artificially inflated during the Class Period. In
21 ignorance of the fact that market prices of the Company's securities were artificially
22

1 inflated, and relying directly or indirectly on the false and misleading statements
2 made by Defendants, or upon the integrity of the market in which the securities
3 trades, and/or in the absence of material adverse information that was known to or
4 recklessly disregarded by Defendants, but not disclosed in public statements by
5 Defendants during the Class Period, Plaintiff and the other members of the Class
6 acquired STEC's securities during the Class Period at artificially high prices and were
7 damaged thereby.

8
9
10 52. At the time of said misrepresentations and/or omissions, Plaintiff and
11 other members of the Class were ignorant of their falsity, and believed them to be
12 true. Had Plaintiff and the other members of the Class and the marketplace known
13 the truth regarding the problems that STEC was experiencing, which were not
14 disclosed by Defendants, Plaintiff and other members of the Class would not have
15 purchased or otherwise acquired their STEC securities, or, if they had acquired such
16 securities during the Class Period, they would not have done so at the artificially
17 inflated prices which they paid.

18
19 53. By virtue of the foregoing, Defendants have violated Section 10(b) of
20 the Exchange Act and Rule 10b-5 promulgated thereunder.

21
22 54. As a direct and proximate result of Defendants' wrongful conduct,
23 Plaintiff and the other members of the Class suffered damages in connection with

1 their respective purchases and sales of the Company's securities during the Class
2 Period.
3

4

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against the Individual Defendants

5 55. Plaintiff repeats and realleges each and every allegation contained above
6 as if fully set forth herein.
7

8 56. The Individual Defendants acted as controlling persons of STEC within
9 the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of
10 their high-level positions, and their ownership and contractual rights, participation
11 in and/or awareness of the Company's operations and/or intimate knowledge of the
12 false financial statements filed by the Company with the SEC and disseminated to the
13 investing public, the Individual Defendants had the power to influence and control
14 and did influence and control, directly or indirectly, the decision-making of the
15 Company, including the content and dissemination of the various statements which
16 Plaintiff contends are false and misleading. The Individual Defendants were provided
17 with or had unlimited access to copies of the Company's reports, press releases,
18 public filings and other statements alleged by Plaintiff to be misleading prior to
19 and/or shortly after these statements were issued and had the ability to prevent the
20 issuance of the statements or cause the statements to be corrected.
21
22

57. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

58. As set forth above, STEC and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

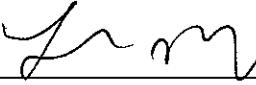
(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

1 (c) Awarding Plaintiff and the Class their reasonable costs and expenses
2 incurred in this action, including counsel fees and expert fees; and
3
4 (d) Such other and further relief as the Court may deem just and proper.

5 **JURY TRIAL DEMANDED**

6 Plaintiff hereby demands a trial by jury.
7

8 DATED: November 6, 2009 **GLANCY BINKOW & GOLDBERG LLP**

9
10 By: 
11 Lionel Z. Glancy
12 Michael Goldberg
13 1801 Avenue of the Stars, Suite 311
14 Los Angeles, California 90067
15 Telephone: (310) 201-9150
16 Facsimile: (310) 201-9160

17
18 **SAXENA WHITE P.A.**
19 Maya S. Saxena
20 Joseph E. White III
21 2424 N. Federal Highway
22 Suite 257
23 Boca Raton, Florida 33431
24 Telephone: (561) 394-3399
25 Facsimile: (561) 394-3382

26
27 *Attorneys for Plaintiff Fred Jean*

GLANCY BINKOW & GOLDBERG LLP
SWORN CERTIFICATION OF PLAINTIFF

I, Fred Jean, ("Plaintiff") declare, as to the claims asserted under the federal securities laws that

1. Plaintiff has reviewed the complaint and authorizes its filing.
2. Plaintiff did not purchase the securities that are the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, either individually or as part of a group, including providing testimony at deposition or trial, if necessary. I understand that this is not a claim form, and that my ability to share in any recovery as a member of the class, is not dependent upon execution of this Plaintiff Certification.
4. Plaintiff's transaction(s) in the STEC, Inc. (NASDAQ: STEC) securities that are the subject of this action is/are as follows:

Number of Shares	Bought	Sold	Date	Price per share
250	B		8/3/09	\$35.00
250	B		8/7/09	\$30.228
250		S	8/31/09	\$39.00
250	B		9/17/09	\$35.50
500		S	10/27/09	\$22.00

(Please list additional purchase and sale information on a separate sheet of paper, if necessary)

5. Plaintiff has complete authority to bring a suit to recover for investment losses on behalf of purchasers of the subject securities described herein (including Plaintiff, any co-owners, any corporations or other entities, and/or any beneficial owners).
6. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws, except as described below
7. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 6th day of November, 2009.

 Fred Jean